

Growth momentum resilient under high interest rates



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Senior Economist

Macroeconomics:

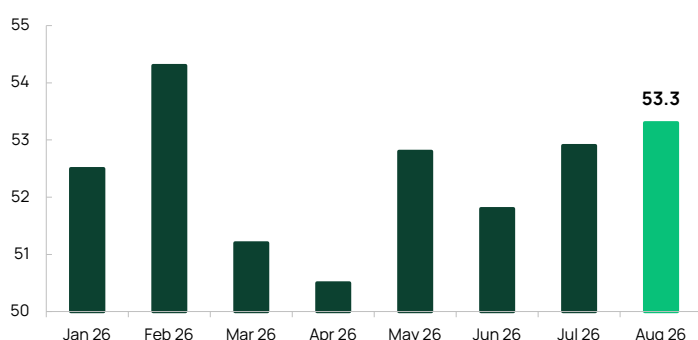
- ▶ Manufacturing PMI rose to 53.3, highest since February; industrial output grew 14.4% YoY and 11.9% YTD, while real retail sales rose 7.6% YTD.
- ▶ August exports of \$54.8bn nearly balanced monthly trade, versus a June–August average deficit of \$2.1bn. We expect monthly surpluses towards year-end.
- ▶ Public investment reached \$20.8bn in 8M26, up 18.5% YoY and equivalent to 50.5% of the annual plan, supporting growth momentum.

Stock Market:

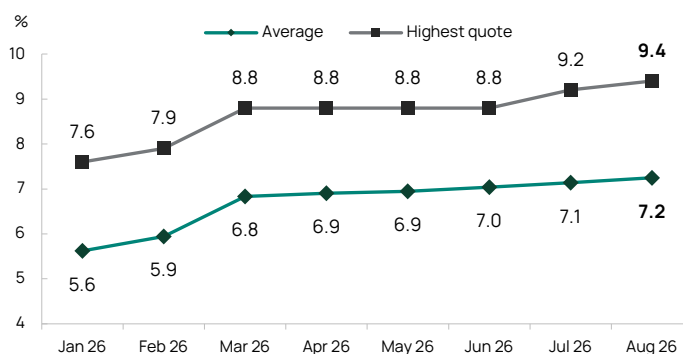
- ▶ The VN-Index returned 6.6% MoM in total return USD terms, recovering July's decline and lifting YTD returns to 5.1%, with the index closing at 1,832.
- ▶ Average daily turnover of \$662.6mn was the lowest of 2026.
- ▶ FTSE implementation lands in September against the lightest foreign selling of the year. Foreign investors net sold just \$60.9mn in August against a March-to-July monthly average of \$590.3mn.

CHARTS OF THE MONTH

PMI: Highest since February



6M Deposit Rate: Remains at high level



Monthly Insights

Vietnam's growth momentum remained resilient in August, with manufacturing, consumption and state-budget investment supporting the expansion. A smaller trade deficit eased external pressure, but interest rates remained high as banks sought funding to meet the economy's longer-term investment needs.

Industrial production grew 11.9% YTD, while manufacturing PMI rose to 53.3, highest since February. Real retail sales growth reached 7.6% YTD, edging up from 7.5% through July, indicating steady growth in household demand. Public investment rose 18.5% YoY to \$20.8bn, reaching 50.5% of the annual plan against 48.3% a year earlier. This combination of resilient demand and investment continues to support growth, even as higher financing costs are starting to weigh on businesses.

Stronger exports and lower imports contributed roughly equally to August's trade improvement. Exports reached \$54.8bn, bringing the monthly deficit to just \$0.1bn, compared with \$3.6bn in July and a June–August average of \$2.1bn. We expect the trade deficit to narrow towards year-end as inputs imported earlier in the year feed through into finished exports.

The pressure on rates reflects the supply and maturity of funding. The State Bank Governor has noted that around 80% of bank funding is short-term, while demand for longer-term loans is substantial. Infrastructure and business investment therefore require banks to attract more stable deposits, keeping funding costs elevated. Institutional six-month deposit quotes surveyed by Dragon Capital averaged 7.2% in mid-August, with the highest at 9.4%. Recent regulatory easing offers some relief, but the underlying need to mobilise funding remains. FX stability and contained inflation leave room for further SBV liquidity support. VND appreciated around 0.9% in August; the black-market dollar traded at a discount to the bank rate. Average CPI through eight months was 4.4%, below the 4.5 – 5.0% ceiling. Fuel prices, which remain sensitive to geopolitical developments, continue to pose a risk to that room for monetary manoeuvres.

Equities recovered, with the VN-Index returning 6.6% in USD total-return terms in August, lifting YTD gains to 5.1% and closing at 1,832. HOSE foreign net selling eased to \$60.9mn, against a March–July monthly average of \$590.3mn, materially reducing one source of pressure on the market. Yet the recovery was accompanied by subdued trading: average daily turnover of \$662.6mn was the lowest of the year. Phased FTSE inclusion begins on 21 September, creating a catalyst for foreign participation, although the initial 10% tranche means the allocation will build gradually. Growth and improving trade support the outlook, but a more sustained advance will depend on a clearer outlook on interest rate direction.



Mai Vu
Portfolio Manager

At a Glance

- Market rebound: the VN-Index rose 6.6% in August.
- The fund gained 6.7%, with banking leading performance and MBB the largest contributor.
- FTSE catalyst: c.\$220mn of passive demand expected from the first tranche on 21 September, with potential for flows to extend beyond direct beneficiaries and support a broader range of stocks.

Performance (%)

	Net Assets	NAV/Share	YTD	1 Month	3 Months	1 Year	3 Years	5 Years	SI
VEF A (USD)	\$221.07mn	\$36.54	-8.8	6.7	-3.8	-9.3	22.9	2.4	265.4
VEF B (EUR)		€1,790.35	-7.6	5.5	-3.7	-8.7	17.1	6.3	82.8
VEF C (GBP)		£901.51	-	5.6	-4.8	-	-	-	-9.1
VNI (Reference Index)	-	-	5.1	6.6	0.2	12.4	46.2	31.3	305.1

Past performance cannot be relied upon as a guide to future performance

Fund Commentary

The Fund rose 6.7% in August, slightly outperforming the VN-Index, which gained 6.6% following July's drop. Encouragingly, our top holding, MBB, not only recovered all of the ground lost previously, but also posted a modest gain and made the largest contribution to the Fund's performance. If anything, this highlights just how volatile the Vietnamese market can be, falling sharply one month, only to bounce back by a similar amount the next. In general, banking was the strongest contributing sector to performance with a broad-based recovery led by TCB (+16%), VPB (+13%) and STB (+6.8%). Real estate was the largest relative drag, with VIC rising 11%, and as such, we were pleased to see the outperformance this month, despite VIC's significant contribution to the Index. We continue to explore options to help mitigate the structural constraint, while also seeking to optimise band trading opportunities in the stock where possible.

Looking ahead, the first FTSE tranche will take effect on 21 September, bringing an estimated \$220mn of passive demand into the market and approximately \$2bn over the next 12 months. With foreign selling already easing, we hope these flows broaden beyond the larger index heavyweights and support across a diverse range of stocks. In terms of positioning, the Fund is fairly well positioned for the initial tranche, with two exceptions: VIC, where our ability to participate is limited by the UCITS mandate, and FPT, where we remain actively prudent given the upcoming Anthropic IPO and potential for related headlines to weigh on the IT services names. Recent portfolio moves include increasing exposure to Vinhomes to just over 9% of the Fund, broadly in line with its expected 10% share of the FTSE flows, and VP Bank to nearly 5%, reflecting its potential as a flow beneficiary as well as its strong growth outlook. From a wider perspective, the improving liquidity and broader market should create a healthier backdrop for stock market. Economic growth and market returns may not always move together in the short term, we believe fundamentals and value will ultimately be recognised.

Stock in Focus: Vietcombank (VCB)

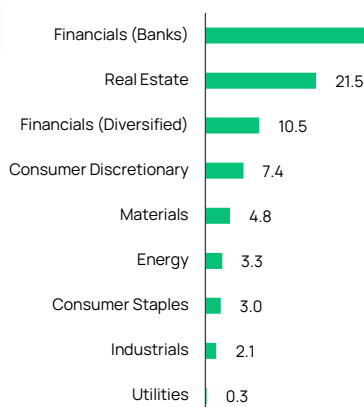
Established in 1963, Vietcombank (VCB) is Vietnam's largest and highest-quality bank by capital, with leading positions across corporate lending, trade finance, FDI banking and a rapidly scaling retail and digital base. VCB possesses a gold-standard balance sheet and unrivalled solid asset quality. In 1H26, VCB generated around US\$800mn in net profit, with ROE at ~16%, robust credit growth of ~15% and a strong ~35% CASA ratio. NIM improved to 2.92%, supported by its sector-leading cost of funds. Asset quality is best-in-class, with NPLs below 1% and coverage above 200%. Net earnings are on track to reach roughly \$1.6bn in 2026, up ~15% YoY. At ~2.0x PBR, VCB trades at a clear premium to peers reflecting its quality, scale and defensiveness.

Outlook wise, VCB is well placed to benefit from recent policy support and Vietnam's infrastructure push. Changes to LDR rules and the short-term funding cap should provide greater lending capacity, while VCB's scale, capital strength, competitive funding costs and strong corporate relationships position it well for large infrastructure projects. A FTSE beneficiary, VCB is expected to capture circa 4% of flows.

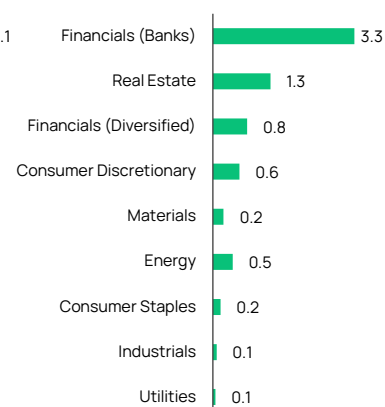
Top Ten Holdings (60.3% of AUM)

Company	Ticker	Sector	VEF (%)	VNI (%)	MoM (%)
Vingroup	VIC	Real Estate	9.9	20.7	11.1
Vinhomes	VHM	Real Estate	8.9	6.8	-0.6
MB Bank	MBB	Financials (Banks)	8.0	2.4	13.9
Vietinbank	CTG	Financials (Banks)	6.0	2.8	4.6
Mobile World	MWG	Consumer Disc.	4.8	1.3	8.2
Vietcombank	VCB	Financials (Banks)	4.6	5.7	2.2
BIDV Bank	BID	Financials (Banks)	4.6	3.2	4.5
Sacombank	STB	Financials (Banks)	4.6	1.6	6.8
Techcombank	TCB	Financials (Banks)	4.5	2.7	16.3
VP Bank	VPB	Financials (Banks)	4.4	2.5	13.0

Sector Breakdown (%)



Monthly Contribution (%)





Key Indicators

Item	Unit	2021	2022	2023	2024	2025E	2026F
GDP	\$bn	366.1	408.8	430	476.3	514	561.8
Real GDP Growth	%	2.6	8	5.1	7.1	8	9.3
Services Growth	%	1.2	10	6.9	7.4	8.6	9.5
Agriculture Growth	%	2.9	3.4	2.6	3.3	3.8	4
Ind'l and Const'n Growth	%	4.1	7.8	3.5	8.3	9	10.5
Retail Sales Growth	%	-9.1	21.5	10.4	9.3	9.9	14
Prices							
CPI (Average YoY)	%	1.8	3.2	3.3	3.6	3.3	4.6
Money, FX and Interest Rates							
Money Supply M2	%	8.9	6.2	12.5	12.7	15	11
Average 12M Deposit Rate	%	6.0	8.0	5.0	5.0	5.8	6.3
5-yr VGB	%	0.9	4.7	1.6	1.4	3.3	3.5
VND:\$	\$1	22,920	23,730	24,420	25,551	26,227	26,150
External Sector							
Trade Balance	\$bn	3.3	12.1	28.4	24.9	20.1	-13
Current Account	\$bn	-8.1	1.4	25.8	30.5	34.5	40.0
Current Account / GDP	%	-2.2	0.3	6.0	6.4	6.7	7.1
FDI Registered	\$bn	38.9	29.3	39.4	38.2	38.4	55
FDI Disbursement	\$bn	19.8	22.4	23.2	25.4	27.6	31
FX Reserves	\$bn	107.4	84.7	90.4	81.2	83.6	90
Public Debt, Fiscal Balance							
External Debt	\$bn	138.8	141.2	138	140.3	151.0	168.54
Government	\$bn	47.9	48.8	44.4	44.5	47.8	50.0
Enterprises (incl. FDI)	\$bn	90.9	92.4	93.6	95.8	103.2	118.54
External Debt (% GDP)	%	37.9	34.5	30.3	30.3	29.4	30.0
Fiscal Balance (% GDP)	%	-4.0	-4.0	-3.6	-3.6	-4.2	-4.0

All forecasts are Dragon Capital estimates

Key Stock Market Data

	HSX		HNX		UPCoM		Total	
	31-Aug-25	31-Aug-26	31-Aug-25	31-Aug-26	31-Aug-25	31-Aug-26	31-Aug-25	31-Aug-26
Market cap (\$m)	276,568	338,990	15,861	18,367	55,786	51,515	348,215	408,872
Number of stocks	391	405	303	299	889	818	1,583	1,522
Number of large cap stocks (> \$400m)	86	86	11	11	20	18	117	115
Stocks with no room for foreigners	61	55	101	132	290	438	452	625
Market cap of stocks with no room (\$m)	28,223	7,595	2,584	3,304	20,907	25,536	51,714	36,434
Share of Market Cap with No Room (%)	10.2	2.2	16.3	18.0	37.5	49.6	14.9	8.9

Top 25 Companies by Market Cap

No	Company	31-Aug Price (VND)	Price YTD (%)	Mkt Cap (\$m)	Wt in VNI (%)	PER			PBV			Yield		
						2024 (x)	2025 (x)	2026E (x)	2024 (x)	2025 (x)	2026E (x)	2024 (%)	2025 (%)	2026E (%)
1	VinGroup	236,000	39.2	70,233	20.70	13.0	115.2	57.5	1.1	8.9	10.2	0.4	0.2	-
2	Vinhomes	73,000	22.3	22,991	6.80	5.0	11.7	10.0	0.8	2.1	2.0	0.4	0.2	-
3	Vietcombank	60,100	5.4	19,253	5.70	17.0	15.6	14.2	2.6	2.1	1.9	-	0.8	-
4	BIDV	36,850	2.4	10,989	3.20	13.1	11.8	11.4	1.8	1.6	1.5	0.0	1.2	-
5	Viettel Global Investment	88,300	24.7	10,304	-	49.1	23.2	24.4	8.0	5.3	-	0.4	1.9	-
6	VietinBank	31,950	-9.3	9,514	2.80	8.7	8.8	6.9	1.3	1.5	1.2	-	0.9	-
7	Techcombank	33,400	-2.3	9,074	2.70	8.1	10.1	8.5	1.2	1.5	1.3	3.0	2.9	2.4
8	VPBank	27,800	-1.2	8,456	2.50	9.2	9.3	7.3	1.0	1.3	1.1	5.2	1.8	4.2
9	MBBank	21,050	4.5	8,126	2.40	5.8	7.5	6.4	1.1	1.4	1.2	2.1	1.0	-
10	PetroVietnam Gas	84,200	16.3	7,789	2.30	15.2	15.7	14.2	2.6	2.6	2.8	8.7	2.9	4.3
11	Masan Consumer	143,000	-18.8	7,168	2.10	22.6	34.3	24.9	16.5	12.7	8.3	12.4	1.2	1.8
12	Hoa Phat Group	22,100	-6.2	7,154	2.10	13.9	12.9	6.8	1.5	1.5	1.2	-	0.0	2.1
13	Airports of Vietnam	42,300	-13.5	5,810	-	29.1	18.0	19.1	4.6	2.5	1.9	-	0.0	-
14	LienViet Post Bank	49,950	26.5	5,721	1.70	8.5	10.3	11.5	1.9	2.5	2.5	-	6.0	-
15	Sacombank	75,500	30.2	5,457	1.60	6.9	18.4	22.2	1.3	1.8	2.2	-	-	-
16	Vinpearl	77,600	-17.6	5,335	1.60	-	153.4	32.5	-	4.6	3.4	-	-	-
17	HDBank	27,800	-6.4	5,335	1.60	7.0	9.0	6.4	1.6	2.0	1.4	3.3	-	-
18	Binh Son Refining and Petrochemical	26,600	67.1	5,107	1.50	110.8	15.3	5.1	1.3	1.3	1.6	3.1	-	1.6
19	Asia Commercial Bank	22,650	9.5	5,041	1.50	6.5	7.8	7.2	1.3	1.3	1.2	3.4	3.6	1.4
20	Vinamilk	62,300	5.1	4,992	1.50	14.1	14.7	13.2	3.7	4.0	4.1	6.2	8.8	7.0
21	FPT Corp	73,200	-22.5	4,811	1.40	30.3	18.2	12.5	7.3	4.4	3.0	1.5	2.8	4.3
22	Techcom Securities	40,800	5.2	4,340	1.30	23.8	18.9	17.1	3.5	2.4	2.3	1.3	-	-
23	Mobile World Investment	75,000	-13.8	4,244	1.30	23.3	18.3	10.5	3.1	4.0	2.7	0.8	1.1	1.3
24	Masan Group	70,200	-8.8	3,931	1.20	50.4	27.1	11.3	3.3	3.2	2.3	1.7	0.8	-
25	Vietjet Air	125,000	-22.3	3,686	1.10	38.6	53.3	307.6	3.2	4.6	4.7	0.1	-	-

All forecasts are Dragon Capital estimates



Fund	Bloomberg	ISIN	LEI	SEDOL	CUSIP	Listed
VEF-A	VIETNAM ID	IE00BD5HPH84	254900EVTJZ4VAUG4M43	-	-	-
VEF-B	VIETEUR ID	IE00BV8WVB25		-	-	-
VEF-C	VIETGBP ID	IE000LEKRJK0		-	-	-

Price Providers	Funds	Bloomberg	Contact
SEI Investments	VEF	-	Transfer Agency Department TADublin@seic.com

VEF
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